

LOCAL AGENCY FORMATION COMMISSION COUNTY OF SAN BERNARDINO

175 West Fifth Street, Second Floor, San Bernardino, CA 92415-0490
• (909) 387-5866 • FAX (909) 387-5871
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: JULY 11, 2005
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #4: LAFCO 2973 – Monte Vista Fire Protection
District Dissolution

INITIATED BY:

Local Agency Formation Commission

RECOMMENDATION:

Staff recommendation is that the Commission:

1. Determine that LAFCO 2973 is statutorily exempt from environmental review and direct the Clerk of the Commission to file a Notice of Exemption within five days of this action;
2. Approve LAFCO 2973 - Dissolution of the Monte Vista Fire Protection District, subject to the following terms and conditions, omitting the standard condition for legal defense responsibility, as the Commission is the applicant:
 - a) The City of Montclair shall be designated as the successor agency to all rights, responsibilities, properties, equipment, contracts, assets and liabilities, obligations, and functions of the Monte Vista Fire Protection District; and,
 - b) All property tax revenues attributable to the District prior to calculations required by Section 98.6 of the Revenue and Taxation Code, including delinquent taxes and any and all other collections or assets of the District to be dissolved shall accrue and be transferred

to the successor agency; and,

- c) Any and all revenues including cash on hand and any special assessment revenue attributable to the District, including delinquent property tax collections and special assessments, and any and all other collections or assets of the District to be dissolved shall accrue and be transferred to City of Montclair; and,
- d) Pursuant to the provisions of Government Code Section 56885.5(a)(4), the County of San Bernardino, as governing body of the Monte Vista Fire Protection District, is prohibited from taking the following actions unless an emergency situation exists as defined in Section 54956.5:
 - 1) Approving any increase in compensation or benefits for members of the governing board, its officers, or the executive officer of the agency;
 - 2) Appropriating, encumbering, expending, or otherwise obligating any revenue of the agency beyond that provided in the current budget at the time the dissolution is approved by the Commission.
- e) The Appropriation Limit for the City of Montclair shall be increased by the existing Appropriation Limit of the Monte Vista Fire Protection District, \$2,459,810 for Fiscal Year 2005-06, as a result of this dissolution; and,
- f) Pursuant to the provisions of Government Code Section 56844(r), the City of Montclair shall continue to provide the current level and range of service now provided by it through the Monte Vista Fire Protection District to those areas outside the corporate boundaries of the City within the current Monte Vista Fire Protection District boundaries; and,
- g) All previously authorized charges, fees, assessments, and/or taxes currently in effect, now levied or collected by the District, including improvement or assessment districts thereof, shall continue to be levied and collected by the successor agency in the same manner as provided in the original authorization pursuant to Government Code Section 56886(t); and,
- h) Upon the effective date of this dissolution, any funds currently deposited with the Monte Vista Fire Protection District and future receipts of revenues shall be transferred to the City of Montclair, as the successor agency, and the successor agency shall separately

- maintain such funds in accordance with the provisions of Government Code Section 57642; and,
- i) Authorize the completion of these proceedings pursuant to Government Code Section 57113, without an election, unless 10% of the registered voters or 10% of the number of landowners who own at least 10% of the assessed value of land within the District submit written protest to this proposal; and,
 - j) In future fiscal years, the ratio of property tax revenues attributable to the City of Montclair shall be adjusted within the corporate boundaries so that the amount distributed to the City will include the amount that would have been distributed to the Monte Vista Fire Protection District.
3. Waive the requirement for individual notice of the protest proceeding as authorized due to the anticipated number of notices required exceeding 1,000 and direct the Executive Officer to provide for publication of the protest notice in newspapers of general circulation as authorized pursuant to Government Code Section 56157.
4. Adopt LAFCO Resolution #2886, setting forth the Commission's findings and determinations concerning this proposal.

BACKGROUND:

LAFCO 2973 is a proposal to dissolve the Monte Vista Fire Protection District (hereinafter "MVFPD" or "District") initiated by the Commission at the November 20, 2002 hearing. This proposal is an outgrowth of the recommendations adopted for the service review/sphere of influence update for this agency conducted in September and November 2002. The processing of this dissolution proposal was held in abeyance to allow for completion of the annexation of the Ninth Street Island area to the City of Upland. That application was processed and completed in 2004. This delay was necessary to assure the appropriate transfer of fire funding to the City of Upland upon its acquisition of the territory since it was a part of the MVFPD.

The District was formed in 1948 to provide fire protection services to the area along the Los Angeles/San Bernardino County line, then commonly known as Monte Vista. In 1956, the City of Montclair was incorporated (as the City of Monte Vista) but did not assume its fire authorities, leaving those with the MVFPD. However, in 1966, the City initiated an action to withdraw from the MVFPD and run its own fire protection program within its corporate boundaries for the purpose of upgrading the fire protection services provided to its citizenry (LAFCO 395). At that time, the City and County negotiated the first contract for the City of

Montclair to provide fire protection services to the balance of the District territory for a negotiated amount annually set through the budget process. Thus, fire protection services within the territory of the MVFPD have been provided by the City of Montclair for almost forty years. In the staff view the present proposal will simplify the delivery of fire protection services and make them more understandable to the citizens in the area.

The Service Review/Sphere Update conducted for the MVFPD included the determination that the Commission initiate dissolution proceedings as allowed by Government Code Section 56375(a). In doing so, the Commission made the following findings pursuant to Government Code Section 56375(a):

- a. No change in service costs is applicable, as MVFPD currently provides only a government structure to provide a funding mechanism for the City of Montclair to provide the necessary fire and paramedic services. Therefore, service costs are anticipated to be substantially equal to available alternatives.
- b. The change will promote public access and local accountability since it will require that the agency providing the service receive the revenues, and publicly discuss the budget ramifications and service levels to be provided within the local community.

At the November 20, 2002 hearing, the Commission officially took action to initiate the dissolution of the Monte Vista Fire Protection District. The balance of the report will address the four factors required for review: city/district boundaries, financial, service and environmental considerations, as well as responses received to the application.

CITY/DISTRICT BOUNDARIES:

The MVFPD presently encompasses approximately 1.2 square miles which has been understood to constitute the sphere of influence of the City of Montclair. However, unbeknownst to many, including LAFCO staff, the boundaries of the District currently overlap a portion of the City of Montclair generally west of Vista Avenue, northerly of Essex Street and its natural extension, east of College Avenue and south of the Metrolink rail lines. Staff's research into this question indicates that this boundary issue was created in approximately 1967, at about the same time that the City of Montclair was withdrawing from the District. Since the 1970's, applications processed through LAFCO have included either the condition to detach MVFPD in a follow up action (prior to 1977) or through a reorganization that included the detachment of the District. This boundary discrepancy has caused no service delivery issue since the County has always contracted for the service from the City.

The detachments from MVFPD through the years have reduced the District's boundaries to the point that it will never have sufficient revenues to operate as a separate agency, as confirmed by the response to this proposal received from County Fire (copy included as Attachment #4). Therefore, the dissolution proposed will have no direct effect on areas in which service is provided as the fire protection and paramedic provider within the area is, has been, and will continue to be the City of Montclair.

FINANCIAL CONSIDERATIONS:

The financial effect of this change would be to transfer existing revenues, assets, and liabilities of the District to the City of Montclair. The specific elements of this consideration are summarized as follows:

1. Property Tax Revenues:

The District has been funded through proceeds of its share of the one-percent ad valorem property tax, budgeted for \$298,218 for the 2005-06 fiscal year. Upon successful completion of the proposed dissolution, the property tax revenues derived within the current boundaries of the District, including those areas now a part of the City and District, will be transferred to the City of Montclair. This "negotiated exchange" was adopted by the County Board of Supervisors on June 14, 2005 (Agenda Item #05) and the City Council of the City of Montclair on June 20, 2005.

2. Appropriation Limit:

As a condition of the Commission's approval, the "Appropriation Limit" (or "spending limit") for the District will be added to that of the City of Montclair following completion. The County adopted the Appropriation Limit for the District as a part of its adoption of the District's proposed budget on June 21, 2005. That Appropriation Limit is \$ 2,459,810 for Fiscal Year 2005-06.

3. Budgetary Information:

The chart below illustrates the revenues and expenditures for the District over the past three years and the proposed budget for the current Fiscal Year. This chart illustrates that for the Fiscal Years 2003-04 through the current Fiscal Year, the expenditures of the District exceed its revenues, with the shortfall in funding covered by the District's dwindling fund balance.

SERIES NAME	ACTUAL FISCAL YEAR 2002-03	ACTUAL FISCAL YEAR 2003-04	YEAR-END ESTIMATE FISCAL YEAR 2004-05	PROPOSED FISCAL YEAR 2005-06
Beginning Fund Balance	\$56,684	\$71,717	\$66,448	\$28,522
Salaries and Benefits	\$0	\$0	\$1,829	\$0
Transfers Out	\$0	\$0	\$3,400	\$5,538
Services & Supplies	\$243,303	\$280,283	\$323,125	\$324,052
Total Expenditures	\$243,303	\$280,283	\$328,354	\$329,590
Property Tax Revenues	\$258,336	\$271,846	\$287,578	\$298,218
Other Revenues	\$0	\$3,168	\$2,850	\$2,850
Total Revenues	\$258,336	\$275,014	\$290,428	\$301,068
Revenue Over (Under) Expenditures	\$15,033	(\$5,269)	(\$37,926)	(\$28,522)
Ending Fund Balance	\$71,717	\$64,667	\$28,522	

Payments made to the City of Montclair, rounded to the nearest dollar, pursuant to the terms of the contract for service over the same period are outlined as follows:

Revenue Over (Under) Expenditures	Fiscal Year 2002-03	Fiscal Year 2003-04	Estimated for Fiscal Year 2004-05	Proposed Budget Fiscal Year 2005-06
Total Revenue	\$258,336	\$270,065	\$290,804	\$298,218
Less Interest Received	(3,903)	(\$3,168)	(\$2,339)	(\$2,850)
Total Taxes	\$254,433	\$266,897	\$288,465	\$254,433
Less Audit Charges	(\$1,364)	(\$3,250)	(\$3,400)	(\$3,400)
Less Administrative Surcharge	(\$5,000)	(\$10,000)	(\$10,000)	(\$10,000)
Less COWCAP Charges	(\$552)	(\$565)	(\$6,638)	(\$1,060)
TOTAL PAYMENT TO CITY OF MONTCLAIR	\$247,517	\$253,082	268,427	\$280,908

The actual payments to the City of Montclair are less than the property tax revenues received by the District. Therefore, through the elimination of the costs for preparation of a separate audit for the District, the administrative surcharge to fund the County fire administrative operation, and the COWCAP charges, the dissolution will increase funding for the provision of fire services within the District's boundaries. This figure is estimated to be an increase of approximately \$17,310 based upon the proposed Fiscal Year 2005-06 budget adopted by the County on June 21, 2005.

SERVICE CONSIDERATIONS:

Since 1966, the purpose of the MVFPD has been to provide the funding mechanism for the provision of fire protection and paramedic services to the District's boundaries by the City of Montclair. This contractual relationship was modified in 1983 to reflect that the services would be provided in return for the receipt of the property tax revenues rather than through a calculation of costs, relationship of assessed valuation of city lands to county lands, etc. The actual payments to the City of Montclair have been outlined above. The completion of this proposal will result in no change in service responsibility or level of service; however, the revenues available for service delivery will marginally increase, as noted above.

RESPONSE TO THIS PROPOSAL:

To date, staff has not received a single letter or telephone call from a resident within the boundaries of the District. This lack of response could be explained by the fact that the District is not listed anywhere on a landowner's property tax bill; service is provided by fire engines noting the City of Montclair on their doors; and there have been no elections for a board of directors as the District is governed by the County Board of Supervisors. The County Fire Agency has submitted its response indicating support for the change as it will streamline service delivery.

ENVIRONMENTAL CONSIDERATIONS:

The California Environmental Quality Act and the State Environmental Guidelines provide for a statutory exemption if it is determined that a project will not alter the physical environment. The current proposal will not alter the physical environment and will not alter the geographical area within which services are already provided. The Commission's Environmental Consultant, Tom Dodson and Associates, has reviewed the proposed dissolution of MVFPD and recommended that this exemption would apply to LAFCO 2973. This is based on the inclusion of a condition of approval that requires the City to continue the current range and level of services now provided within the boundaries of the District after its dissolution. A copy of Mr. Dodson's response is included as Attachment #6 to this report.

If the Commission approves the proposal, it should make the finding that this proposal is statutorily exempt from environmental review under Section 15061(b) (3) of CEQA and direct the Clerk to file a Notice of Exemption within five days.

FINDINGS:

The following findings are required to be provided by Commission policy and Government Code Section 56668:

1. The Registrar of Voters Office has certified that the area is legally inhabited, containing 480 registered voters as of April 1, 2005, as determined for the District's boundary comprising the City of Montclair sphere of influence. It is not known at this time the number of voters within the area of the City included within the District's boundaries.
2. The County Assessor has determined that the assessed value of land and improvements within the District (including the area within the City's boundaries) is \$283,384,051 (land - \$111,723,952; improvements - \$171,660,099).
3. Notice of this hearing has been provided through publication in The Sun and the Inland Valley Daily Bulletin, newspapers of general circulation within the study area. Individual notice has been provided to affected and interested agencies, County departments, and those individuals and agencies having requested such notification.
4. In compliance with Commission policy, and allowed by Government Code Section 56157, notice of the hearing has been provided by publication of an eighth-page legal ad in the Inland Valley Daily Bulletin, a newspaper of general circulation in the area and a standard legal ad within The Sun newspaper. No comments or protests from landowners, registered voters, or any affected local agency have been received to date regarding the proposed dissolution.
5. The Commission's Environmental Consultant has reviewed this proposal and recommends that a statutory exemption be issued for LAFCO #2973. This recommendation is based on the finding that the range and level of services will not be changed within the boundaries of the District as a result of this dissolution and no significant physical effect on the environment will occur. Mr. Dodson's response is included as Attachment #6 to this report.
6. The area within the District is presently served by the following local agencies:

County of San Bernardino
City of Montclair (portion)
Chino Basin Water Conservation District
Inland Empire Resource Conservation District

Inland Empire Utilities Agency (formerly known as Chino Basin
Municipal Water District) and its Improvement District C
Monte Vista Water District
Metropolitan Water District of Southern California
West Valley Mosquito and Vector Control District
CSA 70 (multi-function county service area)
CSA SL-1 (streetlighting)

The only agencies directly affected by this proposal are the City of Montclair and the Monte Vista Fire Protection District. None of the other overlaying agencies listed above will be affected by this dissolution proposal.

7. The Plan for Service, prepared by LAFCO staff, indicates that no service will be impacted by the dissolution of the District. The District does not directly provide for fire protection and paramedic service, instead it contracts with the City of Montclair to provide those services in return for receipt of the ad valorem property taxes generated within the District's boundaries. This Plan is included as part of Attachment #2 to this report.
8. This proposal and its anticipated effects comply with adopted Commission policies and recommendations of the municipal service review/sphere of influence update conducted for the District.
9. Pursuant to the provisions of Revenue and Taxation Code Section 99, the County Board of Supervisors and the City of Montclair have successfully concluded the property tax negotiations required by Section 99 of the Revenue and Taxation Code and adopted resolutions outlining the future distribution of property tax revenues.
10. The map is in substantial compliance with LAFCO and State standards through certification by the County Surveyor's Office.

CONCLUSION

As indicated in the Service Review/Sphere of Influence Update for MVFPD, staff supports this dissolution on the basis that it will provide for a more efficient and effective means for providing fire protection services. Due to the continuing erosion of the property tax revenues for this District, it is appropriate to place its service delivery with the entity that has been contracted to provide that service for almost 40 years. In the staff view, LAFCO 2973 is an example of a good government decision in an era of ever-increasing belt tightening for those agencies reliant solely upon the receipts of the general ad

valorem property taxes to fund their operations. For these reasons, and those outlined within the staff report, staff recommends approval of LAFCO 2973.

KRM/

Attachments:

1. Map of Monte Vista Fire Protection District
2. Dissolution Application, Including Plan for Service
3. Chart Showing Payments to City of Montclair for Fiscal Years 2002-03 through 2005-06
4. County Consolidated Fire Agency Response dated March 9, 2005
5. Service Review/Sphere of Influence Update Staff Report for Monte Vista Fire Protection District dated November 12, 2002
6. Environmental Review from Tom Dodson and Associates
7. Draft Resolution #2886